



Australia

OZ ICT Bulletin

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Welcome To the Australian ICT Bulletin Winter 2008

This monthly publication contains useful business intelligence on the Australian Information and Communications Technology market.

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2008, Predictions For The New Year

As 2008 develops, the Australian ICT market will experience a period of consolidation and maturing of existing technologies.

Firstly, as reported in the last Bulletin, the new Federal government will change the buying patterns of Federal departments and agencies. We predict that the new Federal government will promote fiscal conservatism (even in the face of the massive, GST-generated, budget surplus) and endeavour to wind down, restructure, and consolidate purchasing decisions by the individual agencies. The Federal market will not decline much, but will not be as boyant as it has been under the previous administration.

The federal government has flagged its desire to increase the number of school students who have access to PCs and laptops. It is planning to provide rebates: AU\$375 for primary school students, and AU\$750 for high school students to assist them with purchasing IT equipment. July 1, 2008 is the planned, but unconfirmed, start date. If the changes happen, sales of notebooks and PCs should grow strongly, which will be an advantage to U.S. vendors.

Interest rate rises are starting to weaken the consumer market. On the back of fear that the U.S. economy is heading towards recession and that underlying inflation is trending upward, consumer confidence is weaker than it was two or three years ago. This should spill over into the consumer ICT market and, accordingly, growth should be flat over the next year.

What To Look Out For?

Wireless everything will be the buzz this year. Wireless/mobile broadband piggybacked off the 3G network will continue to provide excellent growth. The major players in this market are Telstra, Optus Singtel, Virgin, Orange, and Three.

VoIP, which has made super inroads into the enterprise market, will become far more widespread in the consumer market. Last year marked iiNet's naked broadband plan rollout, the first in Australia.. Naked broadband offers consumers broadband and VoIP plans including portability of existing landline telephone numbers without the cost of renting phone lines. While the technology may not suit everybody (for example, if power is disconnected, the telephone will not work), it does offer consumers a cheaper, more-affordable, alternative option to the major telco providers.

At the enterprise level, customers are still trying to improve the value of the information that they collect and store. Accordingly, there are excellent opportunities for U.S. developers of data quality, data warehousing, document management, knowledge management, and management compliance tools. It seems that there are many Australian VAD and VARs interested in partnering with U.S. companies who offer good solutions in these market segments.

As always, the U.S. Department of Commerce in Sydney is ready to assist any U.S. ICT enter the Australian market through a range of services aimed to find partners and generate market intelligence.

IDC Predicts Slow Growth In Health Market

Analyst group IDC is predicting that spending on ICT in the healthcare industry will remain flat until 2011 in Australia. The report entitled *Healthcare ICT Market 2007* predicts that spending on ICT will total AU\$2.03 billion in 2011, down from AU\$2.06 in 2007. By contrast, total spending on healthcare in Australia is rising by more than three percent per annum

IDC's analysis shows hardware spending, which accounts for nearly half of all ICT healthcare purchasing at present, will decline over the next few years. Software and telecoms spending will rise over the same period. This mirrors the trend in the ICT market overall, where hardware sales are falling as a percentage of total ICT spending and software and services as a percentage of total ICT spending are increasing.

Health ICT Market 2007-2011 In AU\$Millions

	2007	2008	2009	2010	2011
Hardware	948	917	834	801	782
Services	438	462	480	500	521
Software	86	94	103	111	119
Telecoms	583	587	591	600	606
TOTAL	2055	2060	2008	2012	2028

Source: IDS Healthcare ICT Market, 2007

Software As A Service in Australia

It seems that Software as a Service (SaaS) vendors have their work cut out to close deals in the lucrative, medium-sized business space.

Research group IDC recently completed analysis on the local SaaS market. The company surveyed local medium-sized (50-500 employees) to find out their buying intentions with regards to SaaS systems. Fifty five percent of the respondents were not even sure what SaaS was. More than 20 percent said that it was not applicable to their

industry. Ten percent commented that they were already using SaaS applications, and a similar number said that they were planning to implement a SaaS system over the next year.

The survey reports that 45 percent of the companies do not plan on using SaaS for business applications. The market for business applications in the mid-sector is worth AU\$185 million and will grow 11 percent per annum to AU\$283 million by 2011.

Many see this market segment as the right fit for SaaS applications; medium-sized businesses can often utilize the functionality that enterprise-class software offers, but do not need all the high-end features that they typically offer to attract big business users. As a result they struggle to get Return on Investment with high-end software. Enter SaaS vendors, who offer managed enterprise-class software without the upfront costs of purchasing the systems. Customers can purchase software solutions to suit the dynamic nature of their businesses.

IT Services in Australia

The Australian information technology (IT) services industry accounts for approximately 38 percent of the total IT market. While this market segment is growing, the hardware market is shrinking. At the end of 2007, the value of the Australian IT services market was US\$8.5 billion.

The largest players in this market segment include IBM (revenue of US\$3 billion in 2006), EDS (US\$1 billion), CSC, Fujitsu (US\$500 million), HP (US\$2.5 billion), and Unisys as well as major accounting and consulting firms like Accenture (US\$460 million revenue in 2006). These companies account for more than 75 percent of Australia's outsourcing market. Local integrators of significant size

include Kaz Computing (Telstra) and AlphaWest (Singtel Optus).

In addition, Indian integration and service companies including Tata, Infosys, Satyam, and HCL provide some of the strongest competition to U.S. integrators in the local market. These companies are relatively new to the market, but have positioned themselves aggressively by buying smaller local services companies in an effort to acquire clients.

Research group International Data Corporation (IDC) reported that Voice and Voice over Internet Protocol (VOIP) services will grow strongly in the local market in 2008. IDC also identified ITIL compliance as another area of strong growth (40 percent) in 2008, as well as storage over IP (25 percent), fixed wireless broadband (25 percent), document management (40 percent) and wireless LANs (52 percent).

Recent surveys of leading Australian enterprises have indicated that Australian IT executives are spending increasing amounts of IT budgets on IT security solutions.

This is particularly true in the financial services market where local banks are targets for "phishing", firewall, and virus attacks. As such, network security, email security, and virus protection solutions are in strong demand.

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